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# FISCAL POLICIES MANUAL

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## PETTY CASH

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### PREFACE

Petty cash may be established for an agency from an authorized rotary account or from an agency operating fund. The petty cash is an amount established for an agency to provide immediate disbursement availability within an authorized limit. A petty cash is generally a small amount by nature, must be reconciled to the established amount daily and periodically verified by an independent person.

### DEFINITIONS

Rotary Account – A revolving account created within an agency's fund structure, to expedite disbursements. All disbursements are subsequently recorded in an operating fund, when reimbursements to the rotary account are made from the operating fund.

Petty Cash – An amount of cash used to meet the minor cash needs of an agency.

### POLICY

Petty cash shall be established at the discretion and approval of the agency management, in an amount deemed necessary to effect operational efficiency. Petty cash shall be established from either the agency's rotary account or from an agency operating fund. Petty cash shall not be established from incoming cash receipts.

The rotary account disbursing officer or the officer's delegate shall be held responsible and accountable for all petty cash activity, for the money transferred from the rotary account to petty cash, and for money transferred from the agency operating fund to petty cash.

If the agency establishes petty cash from its operating fund and has no rotary account disbursing officer, a petty cash disbursing officer must be assigned. The petty cash disbursing officer, or his/her delegate, shall be held responsible and accountable for the money transferred from the agency operating fund to petty cash.

### FISCAL IMPACT

Establishing petty cash from an authorized rotary account has no effect on the cash balance of the agency's operating fund.

Establishing petty cash from an agency operating fund would reduce the available cash balance in the fund by the amount used to establish the petty cash.

## PROPER USES OF PETTY CASH

Petty cash should be used only for small-expenditure items, such as the following:

- Delivered items requiring immediate payment, such as postage due and C.O.D. charges on freight shipments, etc.
- Small purchases from local vendors requiring immediate cash payment.

Petty cash must be reconciled to the established amount daily and kept in a secure location.

Under no circumstances should petty cash be used for any of the following reasons:

- Purchase materials, supplies or services which could be paid for more efficiently by state warrant or by P-card.
- Extend cash advances to employees.
- Cash personal checks.
- Purchase personal items for employees.
- Any other non-state business purposes.

## ADMINISTRATIVE PROCEDURES

### ROTARY ACCOUNT

#### TO ESTABLISH OR INCREASE PETTY CASH FROM A ROTARY ACCOUNT

1. A rotary account sight draft should be drawn on the agency's rotary account, payable to the petty cash disbursing officer.
2. Sight drafts payable to "petty cash" or "cash" will not be honored by the State Treasurer.
3. The disbursing officer should cash the sight draft.

#### TO REPLENISH PETTY CASH FROM A ROTARY ACCOUNT

1. Assemble and attach all receipts from petty cash expenditures to a Rotary Account Reimbursement Input form.
2. Reimburse the Petty Cash fund and issue a sight draft payable to the petty cash disbursing officer. For information on how to reimburse the Petty Cash fund see the online **STARS Manual, Rotary Fund and Petty Cash**.
3. Disbursing officer should cash the sight draft and replenish petty cash with the proceeds.
4. The total of cash plus receipts should always equal the total of the authorized petty cash.

## **CLOSING PETTY CASH INTO A ROTARY ACCOUNT**

1. Reimburse any outstanding items.
2. Do not issue a sight draft to replenish the petty cash drawer.
3. Deposit any remaining cash balance into the originating rotary fund.

## **OPERATING FUND**

### **TO ESTABLISH OR INCREASE PETTY CASH FROM AN OPERATING FUND**

1. Notify SCO of need to establish or increase petty cash from an operating fund. Identify a subsidiary number to use to track the amount of the petty cash within the operating fund. Use TC 726 with a Subsidiary Number to create the petty cash.
2. TC 726 issues a state warrant. This state warrant should be drawn on the agency's operating fund, payable to the petty cash disbursing officer. SCO is required to release the batch containing the TC 726.
3. State warrants payable to "petty cash" or "cash" will not be honored by the State Treasurer.
4. The disbursing officer should cash the warrant.

### **TO REPLENISH PETTY CASH FROM AN OPERATING FUND**

1. Assemble and attach all receipts from petty cash expenditures to a Petty Cash Reimbursement Input form.
2. Record each disbursement using TC 282 and the petty cash disbursing officer as the vendor. 1099 reportable expenditures will have to be adjusted off this vendor with a TC 270 and onto the actual Vendor number with a TC 27B.
3. Disbursing officer should cash the state warrant and replenish petty cash with the proceeds.
4. The total of cash plus receipts should always equal the total of the authorized petty cash.

### **CLOSING PETTY CASH INTO AN OPERATING FUND**

1. Follow steps 1 through 3 above.
2. Verify that the total cash equals the authorized amount of the petty cash.
3. Deposit all cash into the originating operating fund in a J batch, TC 727 and the original subsidiary number.
4. Notify SCO to okay the J batch and STO to release it.